Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

The President's Daily Brief

October 16, 1975

5

~~Top Secret~~ 25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Exempt from general
declassification schedule of E.O. 11652
exemption category 5B(1),(2),(3)
declassified only on approval of
the Director of Central Intelligence

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

October 16, 1975

Table of Contents

Lebanon: Serious clashes on Tuesday night between Christian and Muslim militiamen in the eastern suburbs of Beirut have jeopardized the truce. *(Page 1)*

EC-Portugal: Prime Minister Azevedo's speech to the nation on Monday emphasized the country's enormous economic problems. *(Page 2)*

Israel: Our embassy in Tel Aviv reports that most Israelis now appear convinced that the Sinai agreement with Egypt is a positive development. *(Page 4)*

Notes: Portugal; USSR; Laos; Iraq-USSR; France-USSR; Egypt-Syria *(Pages 6, 7, and 8)*

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

LEBANON

Serious clashes on Tuesday night between Christian and Muslim militiamen in the eastern suburbs of Beirut have jeopardized the truce. Although the fighting tapered off by midday yesterday, banks and most shops remained closed. Tripoli reportedly was calm.

Reports on efforts to resolve the underlying issues indicate that the Christians, especially the Phalangists, clearly are attempting to shift the focus of political attention away from the question of Muslim-Christian power-sharing to the issue of Lebanese-Palestinian relations. Phalangist [redacted] organization is prepared to solve its problems with the fedayeen through the Arab League or UN, it will continue fighting until control of Lebanese territory is restored to the Lebanese government. 25X1 25X1

The Palestine Liberation Organization apparently is willing to work out a compromise on the issue of territorial control. The PLO [redacted] will agree to withdraw from any territory that it has occupied since the fighting began in February, except the refugee camps themselves. In return, the PLO wants Phalangist agreement, and a reaffirmation by the Lebanese government, that the Palestinian resistance movement has a right to exist in Lebanon and be supported by the Lebanese government. The PLO also believes that the Phalangists will have to agree to a more equitable redistribution of wealth in the country. 25X1

The PLO claims that at present it has effective control of approximately two thirds of Lebanon, including all major cities, with the exception of about one third of Beirut. Since the latest round of fighting began, fedayeen strength reportedly has increased. Fatah has moved almost all of its forces into the country and plans to keep them there. Saiqa has reinforced its forces in both Tripoli and Beirut; many of these men are reported to be regular Syrian troops of Palestinian origin.

[redacted] 25X1 25X1

[redacted] 25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

EC-PORTUGAL

Prime Minister Azevedo's speech to the nation on Monday emphasized the country's enormous economic problems, in particular the balance-of-payments deficit. Without foreign assistance, this year's balance-of-payments deficit would likely reach $1.1 billion; foreign exchange reserves would be exhausted by year-end, but Portugal still would have gold reserves worth about $4 billion at the current market price.

The trade deficit will total almost $2 billion again this year, despite the import surcharge imposed last May. Many essentials supplied for the Angolan refugees entering Portugal will have to be imported, at the same time as domestic economic difficulties are hurting exports. Earnings from tourism are down sharply, private investment inflows have almost ceased, and remittances from Portuguese working abroad are stagnating.

Lisbon's immediate aim is to try to obtain funds from the International Monetary Fund and the Bank for International Settlements. Only $50 million remains to be drawn on a loan from the Bank for International Settlements. Portugal has already used most of its automatic credits at the Fund. It will continue to press--with European Community support--for additional funds, including loans from the oil facility. Such borrowing could cut this year's payments deficit to about $950 million. Foreign exchange reserves would then probably last until January 1976.

Over the medium term, Lisbon will look to the US and the EC for credits and use its large gold reserves as collateral for loans from US and European private banks. A gold pledge amendment is being negotiated for a $150-million loan from a consortium led by a London financial institution.

For its part, the EC will provide Portugal with about $175 million from the European Investment Bank over a period of two years for specific projects. The Nine will guarantee the loan and

(continued)

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

assume the cost of a 3-percent interest rate subsidy, which adds approximately $35 million to the cost of the program. Two million dollars in direct food aid will also be provided as part of the Community's disaster relief effort for the Angolan refugees.

The EC is trying to expedite the flow of aid, but funds cannot be transferred until individual projects are approved, and this is not expected until mid-1976 at the earliest. EC Commission and European Investment Bank teams will travel to Portugal to help prepare appropriate projects.

The West Germans have already committed some $28 million in low-interest loans to be used for investment in small and medium-sized enterprises and for Angolan refugee assistance. The Netherlands and Denmark also are expected to provide aid, with The Hague expected to give $19 million.

These measures are seen as only a first step in offsetting Portugal's acute balance-of-payments problem. Lisbon looks to a more liberal EC trade policy as a more effective long-term solution. Negotiations should begin before the end of the year on the "evolutionary clause" of the 1973 preferential trade agreement between Portugal and the Community. The EC Commission has suggested a variety of approaches which include an across-the-board reduction of tariffs on Portuguese goods, extending preferential treatment for agricultural products, improving benefits under the Community's generalized system of trade preferences, and providing about $400 million in loans under a new financial protocol. The foreign ministers of the Nine will meet in December to set specific guidelines for these negotiations.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

ISRAEL

Our embassy in Tel Aviv reports that most Israelis now appear convinced that the Sinai agreement with Egypt is a positive development. Politicians and public organizations are turning their attention to negotiations with Syria.

Prime Minister Rabin's stock received a healthy boost as a result of what is generally regarded in Israel as his skillful handling of the Sinai negotiations. According to the embassy, most members of the Labor Alignment have swung from lukewarm support of the Sinai pact to the conviction that Rabin's strategy in pursuing the negotiations has been vindicated. Labor Party members in the Knesset have been surprised by the intensity of the attacks on President Sadat by radical Arabs and the Palestine Liberation Organization. They have also been pleasantly surprised by Sadat's vigorous defense of his action, and are hopeful that this might strengthen Cairo's commitment to a moderate policy.

The military has come out in support of the agreement, with Israel's chief of staff and other senior military officers speaking publicly in its behalf. They argue that, although Israel will surrender some territory, the agreement may actually put the country in a better position to defend itself, largely because the enlarged UN buffer zone and the presence of US technicians reduce the chances of a surprise attack.

Israeli hard-liners, led by the opposition Likud and the youth faction of the Alignment's largest coalition partner--the National Religious Party--still oppose the agreement. They argue that while Sadat may have changed his tactics, his anti-Israel strategy remains the same. Many other Israelis remain skeptical of Sadat's ability to carry out the agreement over the continuing objections of Arabs who want him to scrap the pact.

25X1

(continued)

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

There is a widespread expectation in Israel that Secretary Kissinger will undertake exploratory talks for Syrian-Israeli negotiations in the near future. The Israelis anticipate that Damascus will modify its current hard-line negotiating position and that Washington will eventually confront Tel Aviv with some painful choices over the Golan. Rabin probably fueled speculation along these lines when he told a television interviewer on Tuesday that he regarded Syrian President Asad's recent trip to Moscow as having a political and strategic importance "of the first order." It is related, he said, to reassessments being conducted by both Damascus and Moscow in the wake of the Sinai accord.

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

NOTES

The concessions granted by Portuguese army chief General Fabiao to dissident troops in Porto on Tuesday may only encourage further rebellion. The rebels, who occupied an artillery garrison for over a week in defiance of the regional commander, have announced that they will meet next week to "study ways of continuing the struggle."

Many of the soldiers involved in the mutiny are said to be members of the "Soldiers United Will Win," a radical organization that issued a statement last weekend denouncing the "bourgeois army" and advocating the creation of a "popular revolutionary army."

25X1

25X1

* * *

The Soviet media campaign condemning the Nobel peace award to Andrey Sakharov picked up steam yesterday with the first domestic press blast at the dissident physicist.

The name-calling may be laying the groundwork for either disallowing Sakharov's wish to go to Oslo, or, if permission is granted, preventing his return home. Sakharov already has said that it would "violate the spirit of detente" if he is not allowed to go to Oslo for his award. So far, the orchestration of the anti-Sakharov campaign is strikingly similar to that mounted against Aleksandr Solzhenitsyn five years ago. The Kremlin's decision on how to handle Sakharov's case, which is likely to be made at the Politburo level, will be even more difficult now that the prominent, non-dissident Leonid Kantorovich has been named co-recipient of the 1975 Nobel prize for economics. The leadership may find it perplexing to charge the Nobel officials with playing politics in Sakharov's case, while recognizing in Kantorovich--a Lenin prize winner--the work of a major, establishment scientist.

(continued)

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

* * *

The celebrations commemorating the 30th anniversary of the Lao independence movement underscore the fact that Prime Minister Souvanna Phouma no longer has a meaningful role in the government of Laos.

The communists hustled Souvanna--a founding member of the original Lao independence movement in 1945--out of Vientiane to Luang Prabang to prevent him from participating in the mass celebration in Vientiane. Independence day speeches and commentaries in the Lao communist media emphasized that the community party--the Lao People's Revolutionary Party--will now govern Laos. Although Kaysone Phomvihan was not explicitly identified as the top man in the party, the fact that he delivered the keynote address is a clear indication that he occupies the senior position. In his speech, Kaysone said that the communists were willing to maintain diplomatic relations with Washington if the US: respected the sovereignty and independence of Laos; did not interfere in the internal affairs of Laos; ceased support for the Lao rightists; kept its promise to "help heal the wounds of war"--a catch phrase for new aid. The inclusion of the aid provision gives the communists a pretext for breaking relations or for further harassing our embassy in Vientiane at any time.

* * *

Iraq has received Scud surface-to-surface missiles from the USSR.

The Soviets have been preparing for some time to send Scuds to Iraq, which is expected to form three Scud battalions--possibly with three or four launchers for each battalion. [redacted] 25X1

[redacted] 25X1

[redacted] Scuds based in 25X1
Iraq could not reach Tehran, but several important airfields in western Iran would be within range of the 160-mile missile.

(continued)

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

* * *

The Soviets yesterday requested the postponement until tomorrow of a second day of scheduled talks between visiting French President Giscard d'Estaing and General Secretary Brezhnev. Late last night, a spokesman for Giscard in Moscow said the final round of talks on Saturday also has been canceled.

Brezhnev, President Podgorny, and Premier Kosygin all met the French President at the airport on his arrival, and all three participated in the first day of talks Tuesday. With the exception of the postponement of talks--Foreign Minister Gromyko also canceled his session with French Foreign Minister Sauvanargues--the full protocol amenities have been observed. One possible explanation is that Brezhnev, who has had an unusually heavy schedule of public duties in the past ten days, had become over-tired. He has met with Portuguese President Costa Gomes, participated fully in the three-day visit to Moscow of East German party boss Honecker, and talked with Syrian leader Asad.

25X1

* * *

25X1

Egypt

25X1

Syria

25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1

Declassified in Part - Sanitized Copy Approved for Release 2016/07/14 : CIA-RDP79T00936A012800010040-1